

*Canada Deposit Insurance Corporation Act*

**Mr. Keeper:** Allow Parliament to review those appointments of new board members to the Canada Deposit Insurance Corporation before they are final.

**Mr. McDermid:** Put the parliamentary reform through and we will get it.

**Mr. Keeper:** I hear comments from the sidelines. Why does this legislation not provide for a public review of these Order in Council appointments before they are made? Furthermore, why does the legislation continue to provide for alternates to sit on the board of the Canada Deposit Insurance Corporation? We will not know who these alternatives are and what interests they represent.

We have further questions about the detail of this legislation we would like the Government to answer before it is approved. One possible explanation for why the Government is increasing the size of the board is contained within the recommendations of the Wyman Report. A major component of that report states that we now live in an environment of deregulation and it is essential that CDIC reflect this reality. That is a possible explanation of why there is an increase in the size of the board and why those board members are private sector members only. I question the notion that we can talk about an environment of deregulation when it comes to banks, trust companies and loan companies.

● (1550)

Surely the experience of the last several months with bank failures has shown that we have an environment of inadequate and ineffective regulation. The notion that the Canada Deposit Insurance Corporation should reflect an environment of deregulation is a misdirection of public policy. We on this side of the House wonder why there is no representation of consumers on this board. Why does the legislation not contain a provision for that? Could the Department of Consumer and Corporate Affairs not represent consumer interest on this board, to balance the private sector interests in this legislation? Why is there not some citizen form of representation to take care of consumer interests? The increase in the size of the board is a token of reform. It is not real reform or a fundamental reshaping of regulations for our financial institutions. No new powers are being given to the board. By way of example, let us consider the number of people in Canada who monitor and inspect banks. There are something like 16 of them, whereas in a comparable situation in the United States there are something like 1,500 people doing that work. There are changes of substance which have to be made in terms of regulating our banks. The Minister mentioned that changes would be coming in the future. We hope that they live up to that promise.

Another change brought about by the legislation is an increase in premiums, the premiums paid by banks, trust companies and loan companies to insure their depositors' savings. Since the corporation has a deficit of \$1.2 billion, it is clear that an increase in premiums is justified. At the same time that the premiums are being increased, why do we

continue to allow banks and trust companies to obtain rebates on their insurance premiums in good years? If it is necessary to increase the rates of premiums, why do we allow that to continue in the legislation? I would welcome being able to go to my insurance company in a good year, when my house did not burn down, to obtain a rebate. That is not possible for ordinary citizens; the insurance industry does not work that way.

Why are large banks, trust companies and loan companies able to go to the Canada Deposit Insurance Corporation and say: "This has been a good year. There have been no catastrophes, so give us a rebate on our insurance premiums"? Presumably they paid for insurance on the chance of a disaster occurring and since there was not one they already had the service. Why do we privilege banks this way? Why are premiums being increased at the same time as this provision is being allowed to continue in the legislation? Why do we leave the *status quo* such that the Canada Deposit Insurance Corporation has no clout or no option to cancel an insurance policy? If a trust company is not performing well, why does the Canada Deposit Insurance Corporation not have the capacity to say: "Hold it a minute; you are too bad a risk and we choose not to insure you"? We wonder why that option is not in the legislation governing CDIC to give it a little clout, as it insures banks, trust companies and loan companies.

The increased premiums could likely be passed on to consumers by the trust companies and banks. This raises a fundamental question. While it is possible to justify the increase in premiums on the basis that the Canada Deposit Insurance Corporation has a large deficit, it points to the fundamental fact that regulating our financial institutions is not simply a matter of insurance. It has something to do with what risks are involved and what we can do to reduce those risks. With the rates of insurance going wild these days, with insurance companies taking advantage of municipalities, for example, in terms of their insurance needs, it should be obvious that to approach the problem simply from the point of view of insurance is inadequate. This piece of legislation in itself is minor, in a way; it contains only a couple of provisions. We are lacking more fundamental reform of the regulations for financial institutions. This legislation is only a stop-gap measure.

The problem of regulating financial institutions is a major one. If we refer back to the headlines with regard to CCB and Northland, we know that there are real questions with regard to the efficacy of the regulations of our financial institutions. Why was the Canadian Commercial Bank able to operate as it did over a period of years without our regulatory agencies exposing the problem, without our regulatory agencies saying that there was a serious problem which needed to be dealt with and the Government reacting and handling the situation? I have talked with some acquaintances in the financial community who indicated that there was a well-known rumour in the community that the Canadian Commercial Bank was not being well managed. There are very serious questions about how we regulate financial institutions.